

Senate Bill No. 955

CHAPTER 760

An act to add Section 7514.2 to the Government Code, relating to public employees' retirement.

[Approved by Governor September 29, 2012. Filed with
Secretary of State September 29, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

SB 955, Pavley. Public employees' retirement: pension fund management.

Existing law establishes the Public Employees' Retirement System and the State Teachers' Retirement System. These systems provide defined pension benefits to public employees based on age, service credit, and final compensation. The California Constitution confers upon the retirement boards of public retirement systems plenary authority and fiduciary responsibility for the investment of moneys of those systems.

This bill would authorize these public retirement system boards, consistent with their fiduciary duties and the standard for prudent investment, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project.

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) Due to the current economic recession in which the residents of the state and the nation as a whole find themselves, infrastructure investment represents a significant opportunity to spur job growth while improving California's infrastructure, which is important to maintain business competitiveness.

(2) While California may be emerging from the recession, over 2,000,000 Californians remain unemployed.

(3) Investments in infrastructure can provide much needed employment opportunities for Californians struggling to find work, as well as provide a steady rate of return for investment funds that invest in those projects.

(4) The California Public Employees' Retirement System (CalPERS) has announced plans to invest up to eight hundred million dollars (\$800,000,000) in both public and private infrastructure, as defined in the CalPERS Infrastructure Program Investment Policy.

(5) The California State Teachers' Retirement System (CalSTRS) has committed up to six hundred fifty million dollars (\$650,000,000) to infrastructure, in accordance with the CalSTRS Infrastructure Program Investment Policy.

(b) Accordingly, it is the intent of the Legislature in enacting this act, consistent with the plenary authority and fiduciary responsibilities of the retirement boards of public pension or retirement systems under Section 17 of Article XVI of the California Constitution, that those retirement boards that have specifically targeted infrastructure investment policies prioritize investments in projects located in California.

SEC. 2. Section 7514.2 is added to the Government Code, to read:

7514.2. (a) As used in this section, the following definitions shall apply:

(1) “Board” means the Board of Administration of the Public Employees’ Retirement System and the Teachers’ Retirement Board.

(2) “Infrastructure” includes, but is not limited to, telecommunications, power, transportation, ports, petrochemical, and utilities.

(b) A board may, subject to and consistent with its fiduciary duties and the standard for prudent investment set forth in Section 20190 of this code, Section 22203 of the Education Code, and Section 17 of Article XVI of the California Constitution, prioritize investment in an in-state infrastructure project over a comparable out-of-state project.

(c) The Legislature encourages each board to prioritize investment in in-state infrastructure projects over alternative out-of-state infrastructure projects if the investments in the in-state projects are consistent with the board’s fiduciary duties to minimize the risk of loss and to maximize the rate of return.

(d) Nothing in this section shall require a board to take action that is inconsistent with its plenary authority and fiduciary responsibilities, as described in Section 17 of Article XVI of the California Constitution.